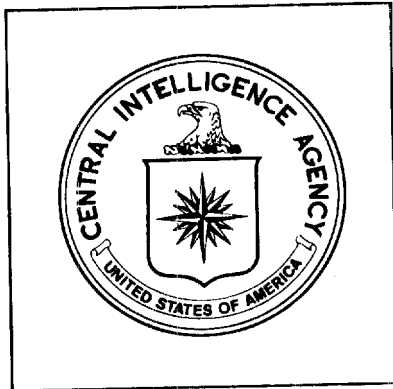


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International Issues

REGIONAL AND POLITICAL ANALYSIS

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This month's *International Issues* presents articles on three general subject areas: relations between developed and developing countries; the rise of second order powers; and international organizations.

Two of the articles in the first section place the North-South dialogue in the context of overall US-LDC relations; the other analyzes the position of the European Community on the specific economic issues of the North-South dialogue.

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US-LDC Relations: Problems and Prospects

The general tone of the debate on international issues in contention between the LDCs and the industrial nations has become a major influence on the international environment in which US relations with developing countries takes place. But the politics of the North-South dialogue are nonetheless only one part of this complex and diverse environment. Individual LDCs have key interests regarding US relations which either lie outside of or are distorted by the global issues addressed in North-South forums. Similarly, the US has important interests with individual countries and blocs of LDCs that are difficult to address even with North-South initiatives that strive to be comprehensive.

The purpose of this article is to illuminate some of the complexities of the international environment that will affect US initiatives and interests vis-a-vis the LDCs over the next year or so. First, the general shift in the North-South atmosphere--from confrontation to accommodation--is explored to indicate the factors working for and against its continuation. Second, the diversity of interests that characterize LDC policies toward North-South relations generally are examined to indicate the range and extent of pressures for change. Next, the complex relationship between global and bilateral factors in US policy toward LDCs is assessed to illuminate some of the implicit tensions and trade-offs between various initiatives and interests. A final section assesses the outlook for US-LDC relations over the next year with special attention to those factors that are likely to complicate these relations.

Lower Tension Over Economic Issues

The conclusion of the Conference on International Economic Cooperation (CIEC) in June 1977 confirmed that a spirit of accommodation between LDCs and industrialized states--a searching for practical solutions through give-and-take bargaining--has emerged over the past year or

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so. Virtually all participants showed a willingness to compromise on various aspects of the final CIEC agreement rather than risk a breakdown of the North-South dialogue and a regression to the tension and sense of confrontation of the 1974-75 period.

The industrialized states conceded on some points at CIEC not only because of direct LDC economic and political pressure, but also because most did not wish to allow deteriorating relations with the LDCs over economic issues to disrupt their freedom of action in other aspects of their foreign policy (for example, France supports many LDC demands in order to maintain a degree of political and security influence in francophone Africa).

Most of the industrialized states considered CIEC a qualified success because the concessions necessary to avoid a confrontation were not perceived as too costly. The concern expressed over the failure to establish a continuing energy dialogue was a reflection of disappointment over the outcome of the bargaining process, not an expression of a reservation about the need to bargain with the LDCs.

The LDC reaction to the conclusion of the CIEC also reflects general satisfaction with the improved climate of the talks if not with the specific outcome of the negotiations. This indicates an implicit acceptance of the notion that relations with the industrial nations are evolving into a real bargaining process, along with a growing sense of pragmatism about how much multilateral negotiations with the industrialized countries can actually achieve. There is a striking degree of acknowledgement, for example, that the "New International Economic Order" (NIEO), as presently formulated, is unrealistically demanding and that continued insistence on it might jeopardize what gains are considered attainable. Moreover, most of the LDCs appear to recognize the limits on bloc solidarity imposed by the clash of national economic interests over such key issues as the UNCTAD Integrated Program on Commodities and automatic debt relief schemes.

The LDCs' retreat from confrontational tactics is also caused by the preoccupation of some key radicals (e.g., Algeria) with domestic problems, and the change in administration in others (e.g., Mexico, Pakistan, and Peru).

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The radicals--like most LDCs--remain interested in substantive changes in the international economic order, but for the moment they appear to accord a lower priority than previously to tactics of confrontation for forcing systemic change. The reduced profile of most radicals has permitted the more moderate LDCs--who have consistently favored a nonconfrontational approach to economic negotiations--a larger leadership role in LDC caucuses.

The Diversity of LDC Interests

Despite the trend toward accommodation on economic issues, a major gap remains between what the LDCs are demanding and what the industrialized countries are either willing or able to grant. Partly because of reduced tensions in economic negotiations, LDC demands for a redistribution of political (i.e., decisionmaking) power in the international system are likely to become more prominent.

These political demands have always been part of the set of issues in contention between the LDCs as a bloc and the industrialized nations. They originate in the view that the international economic system established by the industrial democracies after World War II is unfairly dominated by those states in their ability not only to extract economic benefits but also to control the rules, institutions, and procedures of the system to restrict LDC prospects for growth in wealth and influence.

The US is likely to find LDC demands for increasing their decisionmaking role in international institutions even more difficult to cope with than the purely economic demands that have until now been at the center of the North-South dialogue. One problem will be finding a common ground with other industrialized nations on how to deal with a challenge to their collective political authority. The problem is further complicated by the major divergencies among the LDCs over their priorities for changing the international system.

Grouping the LDCs in separate clusters according to their differing interests on North-South issues is a difficult task because of overlap, ambiguity, and lack of explicit evidence as to what each country perceives as its most important interests. Moreover, it is becoming apparent that the level of an LDC's economic

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development by itself does not readily translate into useful categorization for US-LDC relations, because it does not give sufficient weight to the political factors that influence the attitude of individual LDCs either toward North-South concerns generally or toward relations with the US specifically. One way of allowing for political as well as economic factors would be to group the LDCs according to an assessment of what kinds of change each would like to see in the existing international system. This approach depends, in turn, on analyzing 1) what they believe they are capable of obtaining from the system in its current state, 2) what they want from the system, and 3) what they see as the major roadblocks to obtaining what they want. Since these factors are open to change with shifts in a government's values or its perceptions of its development prospects or security needs, individual countries may move from one category to another.

Minimum political and economic change: This category includes a few of the oil-rich LDCs (Saudi Arabia, Kuwait, the UAE) and the handful of economically relatively well-off LDCs closely linked with the US for security reasons (e.g., Taiwan and South Korea) or shared democratic and free market values (e.g., Costa Rica and Singapore). Although the oil-rich LDCs may desire new rules that would afford better protection for their massive investments abroad, they are already obtaining a steady flow of new resources from the existing system with prospects for even more in the future. In addition, while they may actively seek major political change on a given regional issue, they evince little desire to change the rules and institutions that govern decision-making for the international system. Moreover, industrialized country control of the system does not appear to be viewed as a roadblock to achievement of the regional political changes they want.

Minimum economic but major political change: In this grouping fall those rapidly developing LDCs such as Brazil, Iran, Mexico, Indonesia, and Nigeria which are well endowed with resources, have a good international credit standing, and reasonably good prospects for additional economic growth. While they are working to adapt current global economic procedures to their need to achieve easier and more certain access to the economic

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factors essential for rapid modernization--markets, capital, technology--the existing international economic system is not perceived as creating insuperable obstacles to their growth. Satisfaction of their desire for increased world power status, however, does not appear possible unless they secure a larger voice in international political matters for themselves and, by extension, for all LDCs. This has led them to strive for more influence, in the first instance, at the regional level. They are also pushing for a redistribution of political authority in international meetings and organizations so that the LDCs will have a larger role in choosing venues, setting agendas, filling important staff posts, and ultimately, in making decisions. Perhaps even more immediately they are challenging industrial country control because they fear that current political arrangements can be used to shift rules against their interests (e.g., introduction of political conditions for loans from international financial institutions).

Major economic and political change: The majority of the mid-tier developing countries fall in this category, as do a few of the poorer LDCs (e.g., India, Pakistan). Most of these countries have achieved some development but for reasons of political and economic weakness see the gap between themselves and the economically dynamic upper-tier LDCs (not to speak of the gap between them and the industrialized nations) growing rapidly. Most have some potential for further growth but perceive that both major resource transfers and major structural changes in the international system will be necessary for them to realize it. They do not feel they can compete internationally unless and until there is a voluntary or forced change in the system giving them preferential economic treatment and a larger voice in setting the rules for the system. Within this category a distinction can be made between those countries that advocate moderate tactics for bringing about these changes and those that, for reasons of ideology or the personal ambitions of their leaders, attempt to force change by radical tactics. Nonetheless, the kind of sweeping change both groups want is approximately the same.

Major economic but minimum political change: Most of the poorest countries of the world are in this group.

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Their potential to take advantage of even greatly improved trade or investment flows is minimal, and they would have little voice in the international political system even if the role of the LDCs in decisionmaking was increased. The kinds of changes they seek are those which would greatly increase aid flows, such as substantial new official development aid from the industrialized countries and virtual forgiveness of their international debt.

US Interests

The development of a coherent and internally consistent policy toward the LDCs is greatly complicated by the fact that the US has a wide range of interests that engage the LDCs but do not directly involve the kinds of systemic economic or political change most LDCs are demanding. This dimension of US interests includes both traditional economic concerns (e.g., specific trade issues) and political/strategic issues (e.g., maintenance of alliances or special security relationships), which are essentially bilateral or at most regional. But it also includes issues involving deeply felt US values--such as activity in favor of human rights and against nuclear proliferation--which are worldwide in scope.

US policy toward developing countries has to deal with this mixture of country-specific and global issues, on the one hand, and the North-South issue of systemic change, on the other. The tailoring of policies for individual countries or groups of likeminded countries can be made more complex by the numerous conflicts that can occur within each of these foreign policy dimensions as well as between them. Over the last year, three trends in particular have emerged that are likely to complicate the foreign policy environment for the US even more over the next 12 months or so.

First, LDCs have a tendency to interpret many US policies toward them as directly related to the issue of the international distribution of wealth and authority, even though, from the US viewpoint, the policies are not directly linked to North-South politics. Thus, although the US attempts to pursue for their own merits policies that encourage human rights and discourage arms transfers

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and nuclear proliferation, many of the LDCs most affected by these US initiatives perceive them as having an immediate impact on (and even as deliberately intended to adversely affect) their drive to change the international system. This perception is reinforced when the US seems ready to use the international institutions and procedures controlled by the industrialized nations, such as the international financial institutions, to create incentives for the developing countries to accept US policies.

The second trend derives from the aforementioned fact that different groups of developing countries want different kinds of changes in the international system and that, as bargaining become more specific, these differences are becoming clearer. In consequence, each US policy on a North-South issue will address the concerns of only a specific group of countries. It will often leave other groups unaffected (and uninterested) or, in fact, will be perceived as adversely affecting them. For example, a US-backed effort to satisfy the basic human needs of the world's poor will address the concerns primarily of those countries seeking essentially economic change. It will not begin to meet the interests of those LDCs that have an equal or greater desire for a redistribution of power in the international system. A basic human needs policy may, in fact, be perceived by some of the more developed LDCs as threatening their political stability and contradicting their economic development strategy, to the extent that their strategy features deliberate concentration of income to foster investment.

Finally, the potential for industrial country splits on noneconomic issues appears to be growing despite the achievement of a degree of agreement on how to deal with North-South economic issues at CIEC. There are, for example, differences in the views of the US and its OECD allies on the consequences of a serious deterioration of relations with the LDCs. The governments of the West European countries and Japan perceive that their economies are much more sensitive to the loss of markets or supplies of raw materials furnished by the LDCs. Some special European political and economic relationships with the LDCs date back to the colonial era. Moreover, public opinion in some West European states (e.g., the Netherlands, Norway, and Sweden) favoring responsiveness to LDC demands is much stronger than in the US.

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These differences in part provide the basis for potentially serious policy disagreements between the US and other industrialized nations. Some West European countries such as Germany, France, and the UK, for example, would place fewer limitations on the sale of sensitive nuclear facilities or conventional arms to LDCs than would the US. They are also less inclined to attempt to change human rights practices by levying economic sanctions against important LDC trading partners. In these and similar matters affecting their relations with the LDCs, each industrialized nation is under pressure to develop specific sets of policies that will best serve its perceived interests. In consequence, as a wider range of issues enters the negotiations stage between the North and South, the negotiating freedom of the US will tend to be constrained by the increasingly more explicit concerns and policies of its industrialized allies.

Outlook

As indicated previously, despite the current atmosphere of accommodation in multilateral economic negotiations between industrialized states and LDCs, major underlying differences will persist both between and within the two groupings. Movement toward broadly accepted compromises will inevitably be slow in talks in the various technical economic forums (e.g., the common fund negotiations in November, the Multilateral Trade Negotiations, or the IMF) that will address the LDCs' demands. Eventually, the patience of the LDCs will start to wear thin. They will probably not return to full scale confrontation, however, unless they conclude that the industrial countries are no longer bargaining in good faith. Thus, while relatively harmonious relations on multilateral economic issues are likely to continue at least through the end of the year, tensions between industrialized and developing states will probably begin to rise thereafter in the absence of substantial movement toward meeting LDC demands.

Other developments could also lead to an overall deterioration of the international environment in which US policy toward LDCs will have to be made during the next year or so. Political and security issues--always a part of the pattern of relations between industrialized

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and developing countries--are likely to occupy a relatively greater share of the foreign policy attention of both the LDCs and the US, particularly as long as the process of negotiation on economic issues is not derailed. Moreover, attention to these issues will increase if developments in such areas as the Middle East, Southern Africa, and Latin America continue to evolve along current lines. Increased tensions in the Middle East and Southern Africa, for example, would pit most of the LDCs against most of the industrialized states. Similarly, the development in Latin America of continent-wide antipathy toward the US is not hard to imagine if Congress fails to endorse a new Panama Canal treaty. Under these circumstances the relatively fragile atmosphere of accommodation that exists as a result of US multilateral initiatives with the LDCs would almost certainly deteriorate.

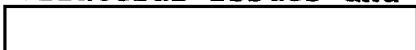
The potential for new tensions is also likely to be heightened by the efforts of LDCs to exercise what they perceive to be their new bargaining leverage in bilateral, as well as multilateral, forums. In the multilateral forums the exercise of increased LDC power will be apparent in the General Assembly on such issues as the Middle East and Korea; in the Security Council on Southern Africa as well as the Middle East; in the struggle for control over the future role of the International Atomic Energy Agency; in the negotiations of the Conference of the Committee on Disarmament; in the preparations for the UN Conference on Science and Technology; and in the controversy surrounding the US decision on whether to stay in the International Labor Organization.

Efforts to exert new leverage on the US by LDCs are also likely in bilateral relations as, for example, Mexico makes decisions on oil and gas sales to the US, and the Philippines and the US negotiate on base rights. It will be in this area, in particular, that the LDC perception of increased bargaining power will conflict with the kinds of demands that the industrialized states, including the US, will be making in exchange for taking LDC economic demands seriously. The conflict with the US arising from Brazil's desire to decrease its energy dependence and increase its international status through the purchase of an integrated nuclear fuel cycle from West Germany illustrates the polarization that will be repeated on other issues involving, at least in the LDCs'

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opinion, questions of sovereignty and political control. In many cases, US initiatives on human rights are so interpreted. And at least some countries would so interpret US initiatives on basic human needs.

Some of the anticipated increases in pressure on US-LDC relations are likely to be tempered by evidence of growing US attention and commitment of resources to LDC problems. But the balance between an overall improvement or decline in the environment for US-LDC policy will depend in good measure not only on the volume of attention and resources the US devotes to LDC relations but also on how effectively they are divided between global and bilateral issues and dispersed among conflicting claimants.



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How Economic Is the ASEAN-US Dialogue?

Prospects for a fruitful exchange on economic issues of mutual interest in the September ASEAN-US talks will depend largely on ASEAN expectations and perceptions of US intentions. ASEAN is seeking US recognition and support for its role as a regional organization in ensuring peace, stability, and economic development in Southeast Asia. Hence, the ASEAN nations view the ASEAN-US dialogue as a means of generating greater US involvement in the Southeast Asian region and not as a regional forum for discussing global North-South economic issues. Consequently, ASEAN will interpret US actions before and during the dialogue in the light of efforts to promote regional cooperation. In particular, ASEAN will judge the degree of importance the US attaches to the organization by the level of US representation at the talks and by the willingness of the US to discuss regional issues outside the context of the broader North-South dialogue.

The ASEAN members have been especially concerned over what they perceive as a decline in US interest and involvement in Southeast Asia. Despite public pronouncements and visits by US officials, the ASEAN nations do not feel that the US is paying sufficient attention to the region. Hence, they place great symbolic significance on the development of a dialogue and regard it as a first step toward drawing the US into a closer relationship with the region. The ASEAN heads of state want to extract a statement of US political as well as economic policy toward ASEAN during this first meeting.

At the recent second summit meeting, the ASEAN heads of state decided to emphasize the political and symbolic nature of the dialogue with the US and selected the host country's foreign minister (Carlos Romulo of the Philippines) rather than its economic minister to represent ASEAN. Individual national delegations are not yet named, but Thailand will probably be represented by senior foreign affairs officials, while Indonesia, Malaysia, and Singapore will be represented by economic ministers. The ASEAN economic ministers, led by Indonesian Economic Minister

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Widjojo Nitisastro, have lobbied intensively to hold a purely economic dialogue with the US which would not be bogged down in political rhetoric. During his visit to Washington in June, Widjojo met with American officials and concluded that the dialogue could reach some points of agreement on economic issues if it were restricted to pragmatic discussions among economic representatives. Even though the economic ministers will be attending the meetings, economic discussions will probably constitute only a portion of ASEAN's overall objectives.

Despite the controversy between the foreign and economic ministers, the ASEAN delegation will probably be well-prepared and relatively unified. The ASEAN members will be seeking a serious high-level exchange of views on the US role in addressing regional problems. They will look closely at the composition of the US delegation for indications of US sincerity. The ASEAN nations will also be examining the US proposals to discuss seven commodities and other issues of concern between LDCs and industrial nations for signs of the degree of importance the US attaches to the region, distinct from the global North-South dialogue.

ASEAN members have told the US that they want to address ASEAN-US, not North-South issues. They want discussions to be limited to an exchange of views on general policies and problems with an emphasis on how the US can assist regional development and cooperation. The ASEAN nations, especially Indonesia, Malaysia, and the Philippines, are key "moderates" in the Group of 77 (G-77), the international caucus of developing nations in the North-South dialogue. They are sensitive to G-77 bloc solidarity and are unwilling to jeopardize their position in the G-77 by actions that could be perceived by other LDCs as a threat to group solidarity. Thus, the ASEAN nations will avoid conducting discussions with the US-- or any other industrialized nation--on issues which would clash with G-77 positions and with negotiations being held in other global or technical forums.

This attitude is particularly relevant to any ASEAN-US discussions on the issues of commodity programs and a common fund. The two issues assumed an important political dimension in the context of the North-South dialogue when the Conference on International Economic Cooperation (CIEC) reached agreement on establishing a common fund

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as a first step toward meeting G-77 demands for a New International Economic Order. ASEAN nations, most of whom are major commodity producers, have indicated that they prefer to defer negotiation of global aspects of these issues to the UNCTAD integrated program for commodities (IPC) meetings. Indeed, Indonesia feels that commodity discussions in ASEAN should complement but not substitute for negotiations in the IPC framework.

ASEAN has been willing to exchange general views on commodity policies with other industrialized nations, but it has apparently made a conscious effort to present the issue in low-key terms and to emphasize global solutions. The communique of the second ASEAN summit notes that while there have been positive developments in the international dialogues between developed and developing countries on commodity policy, the various elements of the UNCTAD program are yet to be negotiated and implemented. The ASEAN heads of government consider the integrated program on commodities and in particular the common fund as fundamental in international efforts to overcome commodity problems, and they support expeditious negotiation of specific international commodity arrangements under the IPC. Joint statements with Japan, Australia, and New Zealand after the ASEAN summit refer to mutual interest in establishing a common fund and other "international commodity arrangements covering ASEAN commodities." The ASEAN heads of state and the prime ministers of Australia and New Zealand stressed the importance of implementing the agreements reached at the CIEC on a common fund and commodities and agreed to work together to achieve a New International Economic Order. Rubber and tin policies were discussed with Japan, but these focused on Japanese financial assistance for research, promises of cooperation in an international rubber price stabilization scheme, and contributions to a buffer stock of the international tin agreement.

Hence, the ASEAN states would probably interpret efforts by the US to emphasize North-South issues or to address the common fund and commodities exclusively as indications that the US is not serious about cooperation with ASEAN on its regional problems. They may even perceive this approach as an attempt to undermine ASEAN's standing in the G-77 and to fragment G-77 solidarity vis-a-vis the industrialized nations.

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On the other hand, the ASEAN nations apparently see no conflict with G-77 positions in discussing regional trade and investment policies with industrialized nations. Consultations with Japan, Australia, and New Zealand focused heavily on improving access to markets for ASEAN goods, curbing protectionist policies of the industrial trading partners, and promoting private investment in regional and national projects.

In sum, ASEAN is likely to be sensitive about the thrust of the US proposals and will prefer to focus on ways in which the US can directly assist regional development. But the ASEAN nations would probably be willing to discuss North-South policies in general if this exchange of views is defined as complementing negotiations in global forums, and if it is presented as an indication of US recognition and support for ASEAN's role in Southeast Asia.

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The European Community in the North-South Dialogue

This is the third in a series of articles on the likely evolution over the next few years of the policy of industrial states toward LDC economic demands that are at the heart of the North-South dialogue. The present paper examines the ability of the European Community (EC) members to maintain a common position on North-South issues and considers what direction such a policy would probably take. It concludes that domestic factors will probably make it more difficult for the EC states to pursue a concerted policy on North-South economic issues. At the same time these factors will lead some of the EC states to adopt a less positive attitude toward LDC demands than they have in the recent past. If the US accepts some of the LDC claims, however, the EC would feel under increasing pressure either to go along or to propose alternative measures to maintain the North-South dialogue.

Current EC Policy in the North-South Dialogue

Three major factors supply a strong impetus for a common EC position in the North-South dialogue. First, there are the general political benefits of joint action that the Nine perceive on any international issue. Acting together, they carry far more political weight than they do individually. Moreover, each instance of successful adoption of a common position--such as in the Conference on International Economic Cooperation (CIEC) this spring in Paris--enhances the Community's reputation for unity, which redounds to its advantage in other international and bilateral forums. Second, joint action increases the practical, as well as the political, effectiveness of Community policy on economic issues. Those of the Nine who are most interested in trade and aid with the LDCs see their efforts enhanced if they can persuade their partners to pool resources with them. Finally, the EC Commission has actively pushed for a positive, unified Community position in the North-South dialogue as part of its continuing effort

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to maximize its political position in the EC and generally to increase the political relevance of the Community as such.

The EC has a long tradition of pursuing close economic relations with LDCs. It first concentrated on trade and aid ties with the former French African colonies. A progressive broadening and deepening of LDC relations eventually resulted in the Lome Convention with several African, Caribbean, and Pacific countries, which took effect in January 1976. This convention included some important innovations designed to assuage LDC dissatisfaction with the terms of trade; foremost among these are Stabex, which guarantees commodity export earnings, and the Generalized System of Preferences.

Nevertheless, the LDC economic demands in the current North-South dialogue go beyond the Lome provisions. Although the EC members and bureaucracy in principle desire a common position in that dialogue, they have considerable difficulty agreeing on the substance of their policy. All EC countries have an economic motive for good relations with LDCs that supply the raw materials on which they are heavily dependent. Each is interested in expanding exports to the LDCs, in large part to compensate for higher raw material import bills and slowly growing markets within the industrialized countries. Finally, the Nine share a generalized wish for greater political influence in the Third World. But from there positions diverge.

The firmest advocates of a positive response to LDC economic demands are the Dutch Government and the EC Commissioner for Aid and Development, Claude Cheysson. Strong political, economic, and humanitarian motives govern their desire to accede to LDC economic claims, and they have exercised considerable influence in leading the EC as a whole to make greater concessions to the LDCs than it would otherwise. Cheysson has used his Commission position to propose far-reaching Community policies which the member states have felt compelled to consider seriously. The Dutch have pushed their partners along by threatening to disrupt EC unity and take a unilateral policy position unless the other members agreed to certain concessions to the LDCs.

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The French occupy an intermediate position on the issue, less inclined to be generous to the LDCs than the Dutch but more so than the West Germans. They desire political influence in the Third World, have long pursued close ties with their former African colonies, and are more active than any of their partners in currying political and economic favor with OPEC. They have pushed joint EC action in the North-South dialogue in the hope that their partners would help pay the costs of measures that would be politically and economically advantageous to the French. Finally, their belief in the benefits of economic *dirigisme* makes the French sympathetic to those LDC demands that call for regulation of the free market.

The West Germans, on the other hand, are firmly committed to the operation of the free market. They dislike the idea of a common fund (which would guarantee commodity prices), preferring a global Stabex (which would allow prices to be determined by the market). The West Germans furthermore do not feel as strong a political and economic interest in the poorer LDCs as do the French. Finally, their unsatisfactory domestic economic situation and general unhappiness at being the "paymaster of Europe" make them unwilling to bear the economic costs of increased direct and indirect resource transfers from the EC to the LDCs. Rather than emphasizing the multilateral issues of the North-South dialogue, West German policy toward the developing states stresses the bilateral pursuit of economically beneficial exports of goods, capital, and technology to wealthier LDCs such as Brazil and the OPEC states.*

The other EC members have not been as deeply involved in North-South questions. Italy, Ireland, and the United Kingdom have basically been willing to go along with the majority position, provided that EC policy toward the Third World is not too onerous

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economically, and does not reduce the amount of intra-Community development assistance, of which they are the chief beneficiaries.

The divergent positions of the member states have produced something of a standoff in EC policy toward the LDCs. Only the Netherlands has increased its bilateral assistance effort; economic difficulties at home have kept the French from following suit. Agreement was reached on support for the idea of a common fund at the CIEC ministerial meetings this spring, but the actual implementation of such a fund remains problematic. The one concrete commitment made at CIEC was to establish a \$1 billion aid fund, about one-third of which would be financed by the EC.

The Evolution of EC Policy

The political will of the EC members to act in concert in the North-South dialogue will probably remain as strong over the next few years as it has been in the past, but success in that effort will probably become more difficult to obtain. As time passes and the issues involved in the dialogue are tackled separately, agreements in principle will become progressively less acceptable to the LDCs; more concrete actions will be required. But the EC members are far from agreeing on what precise commitments they would be willing to make.

The task would be easier if the West European economic situation were likely to improve substantially in the near term. But it is not. Slow growth, high unemployment, and strong inflationary pressures will continue to create domestic political and economic barriers to a more active Community role in the developing states. Only in the Netherlands is the public willing to make economic sacrifices in order to increase overseas development assistance.

The ability of the Community to be generous to the outside will probably be further constrained by the prospect of EC expansion. Greece, Spain, and Portugal, whose economies are much less developed than the EC average, have applied for membership. Although they are unlikely to become full members until the 1980s,

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they will probably receive increased development assistance in the interim to help them adjust to the demands of membership. Furthermore, like Italy and Ireland, they will undoubtedly continue to be recipients of major Community aid for many years after their accession to membership. The immediate economic burdens which Greece, Spain, and Portugal will place on the EC, coupled with the expectation of greater future demands, can only increase the current members' wariness about greater financial commitments to LDCs.

In addition, in the event that the Socialist-Communist coalition comes to power in France after the 1978 legislative elections, the French Government will probably be somewhat less able than its predecessor to persuade the West Germans to adopt a positive attitude toward LDC demands. The Giscard government could successfully press the West Germans to accept the idea of a common fund. It is unlikely that a Socialist prime minister, plagued with economic difficulties at home and enjoying a less-than-close relationship with the West German Government, could do as much.

In the last analysis the existence and the thrust of a common EC policy on North-South economic issues will depend over the next few years, as it has in the past, on the attitude of West Germany. Although for economic reasons the other EC members will be rather more reluctant than previously to be generous to the LDCs, they will still probably be more generous--or more neutral--than the FRG. But their relative economic weakness will prevent them from doing much for the LDCs on their own; they will need West German participation to provide economic weight to any bargain they may strike with the LDCs.

West German policy will in turn probably depend even more than in the past on the position of the US. The EC members have worked thus far to forge a common position in the North-South dialogue not only among themselves, but also with the US. The desire to achieve that aim will probably weaken in France under a Socialist-Communist government, but it will remain strong in the other members. If the US is firmly opposed to LDC economic demands, it will probably be joined by West Germany. On the other hand, with most of its EC partners supporting a somewhat more positive response

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to LDC economic demands or neutral on the issue, West Germany would probably go along if the US did so as well. Under no circumstances, however, could West Germany be convinced to accept far-reaching measures that would seriously distort the operation of the free market. In addition, neither it nor its partners would be willing to incur major economic costs for the sake of improved relations with the LDCs--or for the sake of EC unity in North-South negotiations. [REDACTED]

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A Dissenting View

We believe that the foregoing article offers a basically misleading perspective on North-South issues.

We believe that the political motives for the EC's policy on North-South issues go much deeper than a "generalized wish for greater political influence." Rather, the EC countries seek a well-defined global role that will reduce their vulnerability to US policy and at the same time counter what they view as threatening Soviet expansionism in the Third World.

Economically, the EC countries do not view North-South issues primarily as a question of making "concessions" to LDC "demands." Instead, the EC seems increasingly to aim at an overall reorganization of global trade and investment relationships that would partly shelter European economies during a period of domestic structural transformation while building up LDC economies to provide new markets for EC exports, and more broadly to inject a new dynamism into the world economy from which both Europe and the Third World can profit. Within such a concept, and given the shared French and German emphasis on closer ties with developing countries, there may be more room for compromise between French and German views than the article allows for.

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Thus, the EC's internal economic difficulties encourage rather than constrain a far-reaching and concerted North-South strategy that focuses less on "resource transfers" than on reorganization and that depends less on a West German paymaster than on a political accord with the US. [REDACTED]

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Brazil: Possible Shift in Technology Transfer Policy

Two characteristic activities of a second order power are that it attempts to free itself from dependence on industrial states for advanced technology and that it attempts to manipulate its relationships with one or more major powers to its advantage. In the area of technology transfer these strategies are increasingly linked as European and Japanese firms, backed by their governments, attempt to cut into the US position as the world's leading exporter of technology. For the second order power the problem of acquiring foreign technology is complicated by the need to satisfy the nationalistic impulse to obtain control over technology while, at the same time, creating conditions attractive enough to bring in foreign firms. Brazil is a good example of a second order power that is attempting to balance these various requirements in order to obtain the technology it believes it must have. In the process, US interests may suffer, at least in the short term.

* * *

The government of Brazil has recently announced its willingness to accept bids from foreign minicomputer manufacturers to establish two joint ventures in Brazil. This is a departure from recent technology policies which have sought to exclude competition for Brazil's infant computer industry and may also indicate a relaxation of Brazil's very strict code of conduct for technology transfer. Such relaxation is necessary if Brazil expects to receive bids from qualified owners of technology. Because of political tensions between the US and Brazilian Governments, however, it is possible that US firms will be at a disadvantage.

The Brazilian decision is directly related to IBM's decision to establish major production facilities for its new minicomputer line at its wholly owned Brazilian

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subsidiary. Brazil has delayed approval of IBM's plans for several months. Although IBM production facilities would provide jobs and significant exports, they would seriously jeopardize Brazil's national strategy of developing its own computer industry. Since IBM (which has 75 percent of the Brazilian computer market) would be much too strong a competitor for the nascent Brazilian computer industry, the choices will be either to restrict IBM, to force concessions from it, or to strengthen Brazilian industry with other foreign technology.

US bids may be at a disadvantage because of the political difficulties between the two governments over nuclear energy policy, human rights, and trade.

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If US bids are discriminated against, the beneficiaries are likely to be the Japanese and West Germans.

Brazil's code of conduct for technology transfer, which requires that any technology purchased be effectively transferred to the Brazilian owner at the end of five years, has deterred the most competent owners of computer technology from participating in earlier ventures. Under Brazilian legislation passed in 1975, technology transfers include all evolutionary improvements made in the technology by the original seller and give the Brazilian buyer the right to manufacture and export to other markets after five years. Thus the original seller could be creating his own competition. In negotiations earlier this year Brazilian officials indicated some flexibility in dealing with this law, perhaps even changing it to exempt certain kinds of technology.

If Brazil moderates its code of conduct for technology transfer in this particular case to attract competent partners, it is quite possible that similar concessions will be made in other high technology industries.

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Implications of a US Withdrawal From the ILO

The US Government is coming under increasing pressure from a large number of the members of the International Labor Organization not to follow through on its notice of intent to withdraw from the ILO that it filed in November 1975. The notice cited excessive politicization of the organization as one of the causes for US dissatisfaction but pointed out that if certain reforms were undertaken, the US would remain a member, and that, in fact, it intended to remain a member if at all possible. Eighteen months of concerted diplomatic efforts gave some reason to believe that progress had been made, but at the June International Labor Conference the US suffered an embarrassing series of defeats at the hands of a group of radical Arab states, abetted by many of the other LDCs and the Communist states.

The US labor and management representatives--the ILO tripartite structure calls for separate representation for government, labor, and management--announced their intention to withdraw from the ILO in November 1977, and most other ILO members expected that this would force US Government representatives to withdraw. A cabinet-level committee including representatives from all three parties has been meeting to recommend a final decision to the President.

This article examines the implications for US foreign policy interests of a decision to withdraw from the ILO. While domestic considerations, an appraisal of the value to the US of the ILO as a technical organization, and an estimate of the prospects for obtaining the desired changes are other factors of equal importance, in the foreign policy area, the costs of a US decision to withdraw would seem to outweigh the benefits.

* * *

The issue of US credibility--regarding not only its intent to follow through with enunciated policy, but also its commitment firmly to oppose further politicization

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of other UN bodies--has been raised by the US' friends and enemies as one of the principal factors in the US decision on whether to withdraw. At stake is not so much the possibility of enhancing US credibility as avoiding the loss of credibility that would come from a decision not to withdraw, notwithstanding the unsatisfactory results of the June International Labor Conference. Many ILO members have acknowledged--either privately or publicly--that the damage to US credibility of a decision to withdraw could be minimized through skillful diplomacy.

But even if withdrawal were to strengthen US credibility, it would not increase the US' ability to dissuade the LDCs either from further politicizing the ILO or from demanding increased authority in other international organizations.

Those demands, which underlie the politicization of bodies such as the ILO, cannot be easily warded off, since they are rooted in the belief that the international political and economic system is unfairly dominated by Western industrialized democracies. In the LDC view, not only do the Western states extract maximum economic benefit from the system, but they also restrict LDC prospects for growth in wealth and influence through their control of its rules, institutions, and procedures. The politicization of what the US and the other industrialized countries see as technical issues is seen by the LDCs as one of the few ways to exercise the authority that they feel is denied them.

Costs of Withdrawal

International public and private reaction would be sharply critical, but--as with the demarches being delivered by virtually all of the ILO members--it would be mainly rhetorical. Some of the negative atmosphere generated by a US withdrawal would spill over into the UN General Assembly, but there would be no immediate major adverse practical effect on US bilateral or multilateral diplomacy.

In the longer run, however, the costs would be somewhat higher. Particularly for the West Europeans, the symbolic shock of being isolated in the ILO--despite lengthy forewarning--would be significant. More generally, in the eyes of most UN members, the US withdrawal

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would set a serious precedent. Not only could the US withdraw from other UN bodies, but domestic pressures could build in other countries for withdrawal from those international organizations that did not satisfy domestic constituencies.

A decision to withdraw would also tend to undermine those US policies toward the developing countries that encourage bargaining between key LDCs and the US as a means to resolve differences, that call for international protection of human rights, and that seek to involve the LDCs more responsibly in UN forums. The LDCs, the US' allies, and the Communist states would all point to an apparent inconsistency between the policies enunciated by the President in his UN speech in March--most of which will presumably be elaborated on by the President at the UN General Assembly in September--and US disengagement from a major international organization, no matter what the justification.

Further Considerations

In the absence of the US, changes would probably occur within the ILO that would make it impossible for the US to rejoin unless it were ready to back down substantially on the demands spelled out in its letter of intent. Not only would progress in the direction the US wants become more difficult to obtain, but the LDCs would continue to press for, and would probably eventually obtain, some of those structural changes they did not obtain in June. West European officials have pointed out that in the event of a US withdrawal, their support for the reforms demanded by the US would be reconsidered.

These European reactions indicate that a possible US plan to create a new international labor organization, based on principles laid out by the OECD members, would be difficult to realize in the foreseeable future. As long as the ILO continues to function, West European governments and labor movements would probably not resign and would be reluctant to participate in an organization that could put them in confrontation with the developing countries.

Postponement vs. Withdrawal

A number of West European states have argued that the US could continue to work for its desired changes in

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the ILO, while avoiding the damaging consequences of withdrawal, by extending its letter of intent to withdraw until after the June 1978 International Labor Conference. Representatives of these states have told the US Ambassador in Geneva that an additional period of time could provide the basis for achieving US objectives. They have also argued that the chances of obtaining these changes are greater if the US remains in the ILO and that the US should be patient with respect to its deadline and flexible in its diplomatic approach. Some of the Europeans point out, however, that the US must be prepared to concede on some issues if it intends to obtain satisfaction on others.

If the US decides to postpone its decision, success in obtaining the changes necessary for the US to remain will depend not only on US resolve and on the support of its allies, but also on the extent to which US and LDC goals can be reconciled and on the degree to which LDC moderates can convince the other LDCs of the need to compromise. Moreover, the ability of the US to secure concessions from the LDCs will depend more on success in structuring a broadly acceptable bargain than on the fact that the US has postponed its decision. In and of itself, a US postponement would gain little bargaining leverage over the LDCs. Nevertheless, postponement would keep open the possibility of reform in some areas that withdrawal would preclude.

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APPENDIX: History and Organization of the Agency

The IAEA was given its initial impetus by President Eisenhower in an address to the eighth regular session of the UN General Assembly on 8 December 1953. His original "Atoms for Peace" proposal that an international atomic energy agency be established as a custodian and broker for nuclear materials has long been forgotten, although some recent proposals have revived the notion that the IAEA could play this kind of role in, for example, fuel cycle services.

The concept of an international institution for dealing with the problems and potential of nuclear technology did nonetheless generate international interest. The creation of such an agency was discussed at the ninth and tenth General Assembly meetings, and a conference to draft a statute for the new IAEA was convened at UN headquarters on 20 September 1956. It is important to note that, despite its location, and the fact that the UN Secretariat serviced it and the UN Secretary General acted as its Secretary General, the conference was not sponsored by the UN. From its very beginnings the IAEA established an almost unique special relationship with the UN, remaining independent and autonomous, yet closely cooperating with it. Strictly speaking, the IAEA remains outside the group of specialized UN agencies.

The IAEA was formally created when its Statute, which serves as its constitution, entered into force on 29 July 1957. The Statute itself is regarded as an international treaty. The objectives of the Agency are stated in Article II:

The Agency shall seek to accelerate and enlarge the contribution of atomic energy to peace, health, and prosperity throughout the world. It shall ensure, so far as it is able, that assistance provided by it or at its request or under its supervision or control is not used in such a way as to further any military purpose.

The major structures of the IAEA are the Board of Governors, the General Conference, and the Director General and the Secretariat. The Board of Governors is

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the most important body, charged with carrying out the Agency's primary functions. Among these are formulating the budget, nominating the Director General, approving safeguard agreements, overseeing their implementation and verification, and generally overseeing the activities of the Secretariat.

Membership in the Board of Governors is determined by Article VI of the Statute (as amended). A complicated formula ensures the participation, in most cases, of the most advanced states in nuclear technology, plus representatives from all the geographic regions. The current Board has 34 members, of which 19 are LDCs. There have been numerous attempts to expand the Board, primarily for the purpose of increasing LDC representation and balancing the geographical distribution. Such a move requires a two-thirds majority of voting delegations at the annual General Conference. The Board of Governors holds approximately four meetings a year.

The General Conference is the plenary body of the IAEA. Its proceedings do not, as a general rule, directly affect the day-to-day functions of the Agency. It does, however, have a number of important functions, including:

- Amending the Statute.
- Approval of the budget.
- Approval of the appointment of the Director General.
- Approval of states for membership.
- Election of some members to the Board of Governors.

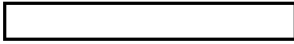
The relationship of the Board to the Conference has been likened to that of a corporate board of directors to its shareholders. The Board takes the initiative on most matters. The Conference has a form of ultimate fiscal authority, and since it is the only organ with all Agency members represented, its resolutions have a form of moral and even political authority.

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The Director General and his staff, the Secretariat, carry out the functions of the Agency, subject to the direction of the Board and to a lesser extent, the General Conference. The current Director General, the second since the Agency was organized, is Sigvard Eklund.



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